GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3998
ANSWERED ON:09.08.2002
PRESUMPTIVE FRAUD CASES
RENU KUMARI SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether fraud/presumptive fraud cases continue to be detected every year involving crores of rupees;

(b) if so, whether 2028 cases of fraud/ presumptive fraud were detected during the year 1996-99 while 2969 cases have been detected during 1998-99 and 2000-2001;

(c) if so, the reasons for increase in the cases and how many of the fraudusters have been brought before the law in the last three years and penalty imposed upon them; and

(d) the steps taken by the Government to devise suitable methods to check the same?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a) & (b): The number of frauds reported to Reserve Bank of India by the public sectorbanks during the years 1996 to 2001 are 2599, 2263, 2509, 3185, 3080 and 2076 respectively.

(c) & (d):- During the last three years 155 employees have been convicted and 5025 employees have been awarded major/minor penalties including dismissal for their involvement in frauds in public sector banks. The main reasons for increase in the frauds are laxity in internal control system, non-observance of laid down systems and procedures by bank functionaries, non-reconciliation of inter-branch accounts, excessive confidence reposed by bank functionaries on their constituents and breach of faith by the latter, etc. Reserve Bank of India have issued instructions to Banks in areas like opening of accounts, monitoring of new accounts, balancing of books, verification of high value cheques, drafts and other instruments sent for clearing/collection, issue/ payment of demand drafts, mail transfers and telegraphic transfers, discounting/purchase of telegraphic transfers, opening of Letters of Credit, issue of Guarantees and co-acceptance of bills etc. Banks have to ensure internal audit and inspection, concurrent audit and statutory audit. Annual financial inspections and special audits are also conducted by RBI to ensure strict compliance of the guidelines.